

Message Text

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ACTION OES-04

INFO OCT-01 EA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /091 W

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R 140935Z JUL 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1574

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E.O. 11652 N/A

TAGS: TECH, ENRG, JA, US

SUBJECT: COMMENTS ON URANIMUM ENRICHMENT FACT SHEET

FOR ACTING ASST. SECY. KRATZER, OES

1. EMBASSY HAS NOT RECEIVED FACT SHEET AND TEXT OF PRESEDENTIAL ANNOUNCEMENT RE POLICY ON PRIVATE ENTRY INTO URAIUM ENRICHMENT BUSINESS, AND HAS BEEN FORCED TO ASK PRIVATE JAPANESE CONTACTS FOR COPY. THIS HAS DELAYED OUR BEING ABLE TO OBTAIN PRELIMINARY JAPANESE VIEWS OFANNOUNCED POLICY. HOWEVER, JACK HARALSON OF BECHTEL TOKYO OFFICE, I MEETING EITH SCICOUNS AND ERDA ASST. SCIREP ON SUBJECT OF POLICY STATEMENT, MENTIONED THAT HE SAW DIFFICULTIES WITH PROPOSAL FROM POINT OF VIEW JAPANESE INVESTORS. FACT SHEET SAYS GOVERNMENT ASSISTANCE TO PRIVATE VENTURES COUL INCLUDE "ASSUMING ASSETS AND LIABILITIES (INCLUDING DEBT) OF A PROVATE URANIUM INRICHMENT PROJECT IF THE VENTURE THREATENED TO FAIL--AT THE CALL OF THE PRIVATE VENTURE OR THE GOVERNMENT, AND WITH COMPENSATION TO DOMESTIC INVESTORS IN THE PRIVATE VENTURES RANGING FROM FULL REIMBURSEMENT TO TOAL LOSS OF EQUITY INTEREST..." KEY WORD HERE IS "DOMESTIC".

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IMPLICATION IS THAT FOREING INVESTMENTS WOULD BE LOST IF USG

WERE TO TAKE OVER PRIVATE INVESTMENT. EMBOFFS, WITHOUT BENEFIT OF ANY GUIDANCE, EXPRESSED PUZZLEMENT AT PHRASEOLOGY AND ADMITTED THAT EMPHASIS DID APPEAR TO BE PLACED ON COMPENSATION TO DOMESTIC INVESTORS TO THE EXCLUSION OF FOREIGN INVESTORS. SUBSEQUENT PERSUAL OF FACT SHEET AND PRESIDENTIAL STATEMENT BY EMBOFFS FAILED TO REVEAL ANY CLARIFICATION OF THIS POINT. PROBLEM COMPOUNDED BY STATEMENT IN BILL ANALYSIS ATTACHED TO PROPOSED LEGISLATION. REFERRING TO SEC. 45A(5), IT SAYS, "ANY OBLIGATIONS TO PAY OFF DEBT AND TO ACQUIRE EQUITY INTEREST WOULD BE LIMITED TO CITIZENS OF THE UNITED STATES," ALTHOUGH SEC. 45A(5) ITSELF APPEARS TO BE MORE LENIENT IN WORDING BY AUTHORIZING ACQUISITION OF EQUITY AND PAYMENT OF DEBT BY USG TO "ANY CORPORATION OR OTHER ENTITY ORGANIZED FOR A COMMON BUSINESS PURPOSE WHICH IS OWNED OR EFFECTIVELY CONTROLLED BY CITIZENS OF U.S." CAN DEPT OR ERDA CLARIFY?

2. DOCUMENTS PUBLICLY AVAILABLE SO FAR DO NOT PROVIDE QUANTITATIVE FORMULATION FOR PERMISSIBLE LEVELS OF FOREIGN INVESTMENT IN PRIVATE PLANTS, ALTHOUGH DESCRIPTION OF UEA PROPOSAL MENTIONS 40 PERCENT OF PLANT CAPACITY WILL BE TAKEN BY U.S. DOMESTIC UTILITIES. ASSUMING THAT FOREIGN INVESTORS SHARE IN 60/40 RATION WITH U.S. INVESTORS THE DEBT PORTION OF FINANCING, WHAT IS PROPORTIONAL AMOUNT OF EQUITY FINANCING FOREIGN INVESTORS ARE REQUIRED OR PERMITTED TO PURCHASE? HARALSON OF BETHEL SAYS THAT HE IS UNDER IMPRESSION THAT FOREIGN INVESTORS WILL NOT OBTAIN VOTING MEMBERSHIP ON UEA PLANT BOARD OF DIRECTORS. THIS DOES NOT JIBE WITH EMBASSY'S PREVIOUS IMPRESSION OF UEA PROPOSAL AND USG APPROACH WHICH WOULD LIMIT FOREIGN EQUITY, INVESTORS TO TOTAL OF 40 PERCENT REPRESENTATION ON BOARD OF DIRECTORS. CAN THIS POINT BE CLARIFIED AT THIS TIME? WILL USG RULES FOR UEA FOREIGN INVESTMENT BE SAME AS FOR CENTRIFUGE PLANTS?

3. EMBASSY APPRECIATES THAT SOME OF THESE QUESTIONS MAY NOT BE FULLY ANSWERABLE UNTIL LEGISLATION PASSED AND AGREEMENTS OR CONTRACTS WITH PLANT CONSTRUCTORS NEGOTIATED. HOWEVER, ANY GUIDANCE AVAILABLE AT THIS TIME WOULD BE HELPFUL IN RESPONDING TO INQUIRIES.
HODGSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: URANIUM, POLICIES, FOREIGN INVESTMENTS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO09418
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750242-0634
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750757/aaaabzfc.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OES
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2003 by BoyleJA>; APPROVED <18 NOV 2003 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMMENTS ON URANIMUM ENRICHMENT FACT SHEET FOR ACTING ASST. SECY. KRATZER, OES
TAGS: TECH, ENRG, JA, US, (FORD, GERALD R)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006